Morris, Craig

From: mark.wehner(b)(6)
Sent: Friday, February 04, 2011 4:44 PM
To: TMFeedback
Subject: Small Business Study
Attachments: REEsults Trademark Request for Comments.doc

To whom it may concern,

Attached is my response and comments regarding the USPTO's request for Comments: Trademark Litigation Tactics as per the link: http://www.uspto.gov/trademarks/bullies_survey.jsp

Thank you for the opportunity to provide input on "bully tactics" used under the guise trademark protection, infringements and counterfeiting.

Respectfully submitted,

Mark Wehner
REEsults Coaching (tm)
(b)(6)

TRADEMARK TALK

Ronald Coleman, of Goetz Fitzpatrick LLP and of blog LIKELIHOOD OF CONFUSION®

Bully for who?

Ronald Coleman, author of the popular trademark blog LIKELIHOOD OF CONFUSION®, considers trademark bullying

Is there anything worse than a "bully"? Maybe not, but a close second may be the misuse of loaded terms – such as "bully," "racist," etc. – to avoid reasoned consideration of substantive issues. In fact, there really is a trademark bullying problem in US law and practice. But discussion will not be fruitful, and solutions will not be found, unless we define our terms. We need to separate bullying, a real issue for which there are solutions, from rational and fair enforcement of *bona fide* rights that can exist even where big firms employ "disproportionate force" to achieve their aims.

The bullying question comes up for intellectual property law practitioners in light of the recent request from the US Patent and Trademark Office (PTO) for comments from practicing trademark attorneys, owners, and others about their experiences with litigation tactics spurred by a legislative mandate that the Secretary of Commerce study, report and make recommendations to the Senate and House Judiciary Committees on:

- The extent to which small businesses may be harmed by litigation tactics by corporations attempting to enforce trademark rights beyond a reasonable interpretation of the scope of the rights granted to the trademark owner; and
- The best use of Federal Government services to protect trademarks and prevent counterfeiting.

The term "trademark bullying" was not coined by the PTO, but it was given official status when the PTO effectuated this legislative instruction and incorporated the term in both the text and title of a new web page on its site, found at http://www.uspto.gov/trademarks/bullies_survey.jsp.

Big versus small

No one should seriously question that "corporations" (a truly sloppy choice of words hardly befitting Congress, considering that corporations can be tiny and massive businesses can take other forms) can and leverage their profound imbalances in financial and institutional resources to smother legitimate rights of smaller firms – competitors or otherwise – to use what are, in the abstract, legally permissible terms and images.

Recent examples of actions largely described as trademark bullying via litigation include:

US beer giant Anheuser-Busch's actions against a small New England company for selling a brand of beer called "Vermonster" – purportedly as an infringement of the former's MONSTER® brand energy drink;

Intel Corporation's dragnet of litigation against any company incorporating the now widely used English word "intel" (short for "intelligence" or "intelligent") in a domain name, regardless of competitive proximity to Intel's computer chip products protected by the INTEL® mark; and

Pillsbury's steamrolling of a local bakery going by the name "My Dough Girl" over a purported likelihood of confusion with Pillsbury DOUGH BOY®, the ticklish, pudgy marketing mascot of the provider of consumer "easy baking" cookie and biscuit preparations.

In each of these cases, a company with essentially limitless resources has asserted legally dubious trademark claims against firms with no hope, on their own, of fighting back on the merits. Are these really cases of trademark bullying?

Rooting for the underdog

We Americans like to say that we "always root for the underdog" – a demonstrably false assertion in the first place but particularly ironic considering how much of the world looks at America. In fact, in our more thoughtful moments, we will acknowledge, or even assert in our own defence, the axiom that "the underdog" is not always in the right. Though there are philosophies and creeds that assert the contrary, most of us can acknowledge that being strong is not inherently a moral deficiency. Nor is being weak a dispensation for wrongdoing. This is true whether the "weak" side is personified by Saddam Hussein or, on a less dramatic level, a pesky domain-name squatter.

Thus a bully is not merely a strong party that asserts a claim against a weaker one. If it were so, almost every dispute would involve a so-called bully, rendering the term meaningless. Moreover, stakeholders in any endeavour with the most to protect as well as the most exposed flanks would be bullies *per se* (quite how Americans often do seem to be viewed in international affairs!).

Rather, however, a bully is defined as one who is "habitually cruel to others who are weaker". The concept of a "trademark bully," therefore, can only be meaningful if it implicates the use, in the context of a legal dispute, of superior resources in a way that is offensive to the rules and mores of the regime in which disputants operate. Legal systems in enlightened societies, after all, exist to provide for resolution of disputes. Parties with threatened interests must and will devote and employ a level of resources in protecting them that is commensurate with the investment such parties have in those assets. When describing such a calculus in terms of intellectual property assets, this refers of course to the concept – dubious or exalted, depending on your perspective – of "brand equity."

Reasonable measures

First, some sympathy for the devil. Lawyers for big companies, whether in-house or outside, used to have it easy when tasked with "routine" trademark enforcement. They represented brands typically of universal renown protected by trademarks that are legally invulnerable. Few interlopers on their IP turf could seriously withstand their efforts.

Ronald Coleman [illegible] trademark, copyright and [illegible] litigation matters throughout the US. He represents companies such as [illegible] and has as well as extensive experience in trying IP cases, including the recent [illegible] by Intel Corporation referred to in this article. He blogs at LIKELIHOOD OF CONFUSION®

Thus their clients expected that whatever could not be achieved by transmission of a stern cease and desist demand on high-rag-content stationery would almost certainly come about after a recalcitrant defendant experienced the special pleasure of personal service of a summons and complaint bearing the name and address of the United States District Court.

The world has changed markedly from the one depicted in this picture, and it has done so in the space of less than 15 years. Today those "C&Ds" are typically delivered by email, in no small part because the physical location of the recipient is unknown or unknowable. But the effect of such a transmission – if its PDF attachment does not send it into the addressee's spam folder – is in many cases seriously reduced from the one described above. The eventual reader of this email may or may not read the language in which it has been written, or care to. He may or may not be amenable, either legally or practically, to legally cognisable service of process. His operations may, unlike the bricks-and-mortar-bound flea-market or car-boot vendor of the past, be completely immune from even the effects of a severe injunction issued on his default. And if this would-be defendant is annoyed and savvy enough, he may by way of reaction unleash on the client an internet-based pushback, entirely extra-judicial and perhaps even unlawful, that could far outstrip the magnitude and significance of the original infringement.

Thus for all our hand-wringing over asymmetry in legal disputes, we must keep in mind that in two out of the three examples of supposed trademark bullying set out above, even absent many of the more nefarious elements in the last paragraph (in which some defendants were all domestic, above-ground and legally compliant), the "bullies" were to some extent repulsed. Mega-brewer Anheuser-Busch, faced with the fury of an underdog-loving internet, backed off from its threats against Vermonster, described in an October 2009 article in *Atlantic Monthly* entitled, "In Beer Battle, Internet Beats Goliath." Similarly, while Intel Corporation continues its mop-up operations against pockets of resistance to its legally "no quarter" policy on domain names using the word "Intel," it recently dropped one such case brought in California that received some internet attention when *pro bono* legal assistance brought the company to the brink of an unfavourable published opinion that could scotch its entire enforcement campaign.

The real bullies

Yet there are real bullies, real abuses of the system, exactly as the economic theory of "rent seeking" predicts there would be. The problem is well understood by consideration of one of the best-known trademarks in the US, and one deserving of great protection: SUPER BOWL®, the name of the annual championship game in the National Football League (NFL). Like all IP owners holding premium "brand equity," the NFL has in place an "enforcement programme" designed not only to protect its legitimate rights, but to establish a buffer zone of illegitimate, intimidation-based quasi-rights that have a very real effect because it is never economically rational to test them in court. Such a buffer zone establishes a zone of litigation-based (not legal-based, litigation-based) early warning triggers around the real rights, such that any purported infringer of the trademark – even a party making a protected fair use of the SUPER BOWL® mark – would have to traverse the hopelessly expensive no-man's land of illegitimate litigation threats to establish his defense.

In the case of SUPER BOWL®, the seasonal aspect of the trademark use, along with the timing of the litigation and preliminary injunction processes in US courts, makes the NFL's enforcement programme a perfect storm for those who would dare make any reference in advertising or promotion to an event, party or product that happens to coincide with the Super Bowl broadcast. Automatically claiming that any such reference, notwithstanding the privilege of fair use, constitutes an infringement or dilution of the NFL mark – for it may, notwithstanding the factual unlikelihood of the claim, supposedly be mistaken for an "endorsement" or "sponsorship" of a local barbecue, bake sale or tavern happy-hour – the NFL brandishes cease-and-desist letters and the threat of crippling emergency injunctions against all comers. And in this particular case, any attempted fair use would only be worthwhile shortly before and not a second after the time of the Super Bowl itself. Thus the NFL can be sure that its legal efforts, threatened or real, will make any contemplated challenge legally and commercially moot. Moreover, under the American rule – notwithstanding a virtually moribund fee-shifting provision in the Lanham Act awarding fees to successful defendants in "exceptional cases" – the NFL's "cost of doing business" invested in this campaign is safely budgeted.

In this example, the NFL is truly a trademark bully, and not because its opponents are "weak" – rather, because no company can justify defending the cost of defending a fair use of the SUPER BOWL® mark. From the NFL's perspective, the worst thing that could happen if someone were to test the league's resolve to litigate over SUPER BOWL® is that the NFL would lose the case on the merits. Such a result would occur months or years or more after the "big game" is over and the contemplated use irrelevant. And it would come at the sole expense of a challenger that could never financially justify the marketing "up side" of using the mark as offset against the massive legal fees and costs even of winning, much less the potentially ruinous costs of losing such a litigation.

Highlighted by the timing issue, the NFL's SUPER BOWL® campaign epitomises trademark bullying that is less visible in other contexts, but no less real. And the league's strategy, which is completely rational given the structure of the legal regime in which the NFL is operating, not only deprives the public of its statutory and constitutional right of fair use, it also has the even more insidious effect of actually causing an expansion of the original right itself. This process actually enhances the perceived "untouchability" of the real trademark, ie, its isolation in the market, thereby guaranteeing the future results of consumer surveys and other indices of goodwill (including, of course, the claim that mark holder "vigorously enforces" its rights) that could be used in a future trademark infringement or dilution claim.

Bloodless, passionless, indeed almost victimless, the NFL's corporate brand-protection programme is still bullying, and it works even against companies bigger and richer than the football league. It deprives the public of its right to act and do commerce in what may be a *bona fide* manner by making enforcement of that right defensively prohibitively expensive and senseless. This is the bullying that epitomises much of what is wrong with US trademark law today, and by just as coldly dissecting its elements – without reference to sympathetic "underdogs" and evil "corporations" – the US PTO could have much to report and recommend to Congress.

Trademark, Copyright, and the Internet: Time to Return Balance to Civil Litigation

*By Ronald D. Coleman**

The law and business of intellectual property are in upheaval today. Essentially, the concepts that underlay the conceptual, statutory, and judicial schemas that govern each of patent, trademark and copyright are rapidly being overwhelmed by technologies that could not have been foreseen even half a generation ago, much less when the roots of the legal doctrines surrounding each of these types of IP protection and the economic models on which they are premised took hold. The purpose of this essay is to consider one of these areas in particular, namely trademark, and to focus in particular on how developments in copyright arising from the new digital media have affected this area of law. I argue that a series of legal developments has turned an area of law historically meant to shield consumers from non-authentic merchandise and preserve entrepreneurial investments in "brands" into a weapon to stifle competition and protect entrenched, inefficient business models. These developments have taken trademark law far beyond the language of the Lanham Act, the modern trademark statute, into a world where judges have not feared to tread and "make policy" affecting broad areas of economic activity to Congress's silent assent.

It is impossible to consider the last decade's developments in trademark without understanding what is going on in copyright. Copyright law is trademark's "soft IP" cousin and a frequent source of judicial "borrowing" as new issues arise in the courts and statutes provide little or no guidance. Copyright is the area of intellectual property that most directly implicates constitutional issues of free speech. Congress has also been far more active in amending the Copyright Act and making affirmative policy decisions, arguably for political reasons (i.e., in response to lobbying), than it has with respect to trademark. Passage of the Digital Millennium Copyright Act ("DMCA"), for example, was not accompanied or followed by a companion set of "digital" reforms in trademark. The need to do so was not necessarily obvious at the time, given the policy goals the DMCA was meant to address, which are beyond the scope of this essay. Yet courts, conditioned by generations of mainly innocuous copyright/trademark "borrowing," have increasingly begun to look to the DMCA for answers to trademark questions that Congress has not given on its own or where Congress's silence may more appropriately be weighed as a policy choice—i.e., a choice not to extend certain protections given to copyright owners under the DMCA—rather than a broad statement of congressional intent respecting IP.

As a matter of first principles, copyright protects the tangible expression of creativity. The copyright laws are widely understood as providing an incentive for the investment of creative power and resources into such works by assuring those who make such investments with a high degree of legal control over their fruits. This neat conception, however, is at risk of nearly complete obsolescence. This threat to copyright lies not so much in the claims of a developing critical literature seeking to undermine this theoretical construct at its core as in changes no less radical in how creative works are "created" and, to a far greater degree, how they are distributed both legally and otherwise.

No one needs to be reminded that media for communication, expression, and performance are now ubiquitous. The financial value of many kinds of creative content once constituting predictable revenue streams, even without reference to infringement of copyright, has plummeted. The disappearance of entry costs for publication and distribution of creative works in digital form, and the relatively low cost for producing many such works—typified by online publications such as blogs and other online sources of news and information—threaten traditional business models. Industries such as popular music production and promotion and traditional news media are most vulnerable to these changes. The second of these business sectors may not even last long enough to share in either the development or benefits of any innovative approach to legal rules in copyright.

Moreover, there is growing "demand side" hostility to copyright enforcement. Digital media's power to deliver essentially perfect performances or packages of creative works at marginally trivial cost is in a battle with the concomitant "leakage" of that power to consumers, who increasingly and with or without the aid of middlemen acquire such works for themselves without compensation to their creators or owners. Technological fingers in the digital dike—vaunted "new and improved" forms of DRM, or Digital Rights Management—are proving increasingly ineffectual in the face of technological countermeasures and increasing cultural resistance to voluntary compliance. Copyright stakeholders have been reduced to the use of bulk litigation campaigns to "tangibly fix" a legal regime that is less amenable to management than ever, whether by technical or political means. Yet the series of mass litigation "campaigns" undertaken by stakeholders in the music and film industries against college students, children, and grannies involved in illegal downloading of music and movies has resulted in varying degrees of legal "success," and there is an increasing lack of public support for such efforts, notwithstanding the seeming clarity of legal rules that apply to such activities.

And innovation there must be. Notwithstanding their ideological or other predispositions on the matter, the aforementioned developments suggest to most people working in the field or closely observing this battle that the traditional stakeholders—copyright owners—are very likely going to lose some significant portion of what they right now consider

* *Member, Goetz Fitzpatrick, LLP, New York, New York and Vice Chairman, Intellectual Property Practice Group. Mr. Coleman is the author of LIKELIHOOD OF CONFUSION®, a leading blog on intellectual property, free expression, and Internet law found at www.likelihoodofconfusion.com.*

inviolably "theirs." The "supply" and "demand" tug of war is, perhaps, no better typified than in the mounting controversy over phenomenal infringement litigation damage awards, notionally authorized by broad statutory language but bearing no rational relation to traditional notions of "damages," defined as compensation for a harm done by a tortfeasor. And it is in this area that we can begin to understand the direct effect of developments in copyright on the increasingly important area of trademark law.

Under the Copyright Act, statutory damages are, contrary to popular belief, not intended to be a windfall for the lucky holder of an infringed copyright. Rather, they are meant to effect just compensation that bears a reasonable relationship to compensatory damages that may be difficult or impossible to prove, albeit with an added consideration—added, but not disproportionately dominant—of the need to deter future infringement.

In determining the measure of statutory damages to be awarded, courts typically consider the following factors:

> expenses saved and profits gained by the defendants in connection with the infringements; revenues lost by plaintiffs as a result of defendants' conduct; and the infringer's state of mind, that is, whether willful, knowing, or merely innocent. Moreover, the court should consider the purposes of the Copyright Act, including restitution to prevent unjust enrichment, reparation of injury, and deterrence of further wrongful conduct by the defendants and others.[1]

"'Willful' refers to conduct that occurs with knowledge that the defendant's conduct constitutes copyright infringement.' . . . The determination of willfulness is a question of fact reserved for the jury."[2]

This is not the formula for a blitzkrieg-like achievement of an easy liability judgment and the maximum grant of statutory damages copyright infringement plaintiffs often envision, or with which their lawyers threaten trembling recipients of their cease and desist demands. Nor does a finding of willfulness mean that a plaintiff is entitled to the maximum statutory damage award, even in the face of a defendant's default. A similar treatment of the matter can be seen in a case from the Southern District of New York, even in the face of a defendant's default. The case involved pirated pay-per-view broadcasts, but the court was unwilling to bring down the wrath of heaven in the form of statutory damages when considering the reality of the economic picture at bar, even in the face of that mortal sin of civil litigation, the dreaded default:

> Some courts . . . have concluded that a defendant's default itself could be viewed as evidence of willfulness [or make similar inferences based on profit motive to infringe]. . . .
>
> [But] the plaintiff has failed to offer credible evidence that an enhanced damages award in the exorbitant amount of $100,000, or something in that range, is necessary to accomplish the goals of the statute, i.e., the use of enhanced damages to alter the economic expectations of prospective violators. Regardless, even in the case of a default judgment, a plaintiff must do more than gesture at an inference to support its request for enhanced damages. . . .
>
> In addition, the value of deterrence must be balanced against the inequity of imposing heavy financial burdens on small businesses. The sting of an enhanced award should not be greater than deterrence requires and fairness allows. Thus, I award Joe Hand an additional $1,500 in enhanced damages from each defendant. This enhancement is not so large that it will spell financial ruin for the small businesses involved, especially if, as I suggest, Joe Hand allows installment payments over the course of a year or more, but it is large enough to raise the dollar amount of the penalty above the cost of obtaining a commercial license, and, for businesses of this size, should be a sufficient deterrent to avoid future violations.[3]

In so ruling the District Court cited an even earlier case, 1980's *Doehrer v. Caldwell*,[4] which taught as follows:

> A mechanical application of the statutory damage provision of the Copyright Act leads to absurd results. While Section 504's compensatory purpose should not be minimized, its deterrent provisions should not be converted into a windfall where, as a practical matter, the plaintiff has suffered only nominal damages. It is clear from the legislative history of the Copyright Revision Act of 1976 that Section 504 was designed, in part, "to provide the courts with reasonable latitude to adjust recovery to the circumstances of the case, thus avoiding some of the artificial or overly technical awards resulting from the language of the existing statute." S. Rep. No. 94-473, 94th Cong., 2d Sess., reprinted in CCH Copyright Revision Act of 1976 P2042. . . .

In fact, statutory damages are not penalties. The purpose of statutory damages is to permit a wronged plaintiff to recover where there is insufficient proof of actual damages or profits. Substantial damages are, the courts typically hold, only be awarded for substantial injury.

Yet something—it is not obvious what this something is—within the judicial system keeps fighting against these fundamentally fair principles, and doing so with increasing vigor. Only months ago a jury awarded $2 million—little more collectible than "all the money in the world"— to the Lords of Music for what was indeed knowing copyright infringement of two dozen songs. As one Internet commentator, blogger Stan Schroeder, wrote:

> In one of the most ridiculous verdicts I've seen, the jury decided that Jammie Thomas-Rasset, the first woman who was charged with copyright infringement and offered to settle but decided to fight the RIAA, is guilty and owes the recording industry 1.92 million dollars, or $80,000 per song.
>
> As we mentioned in our original article, Jammie's case was full of holes, and she probably would have done better if she had just settled with the RIAA. But what's striking here is the amount of money awarded to the recording industry for infringing the copyright for just one song.
>
> It reminds me of a recent Penny Arcade comic which mocks Microsoft's Zune Pass, which offers unlimited

selection of music for 15 dollars per month; since time never ends, this technically amounts to infinity dollars. Since the music is DRMed, if you ever stop paying, you lose all your music.

It's just a joke, but it makes a good point. How much is one song worth to you? How much is it worth to the author? How much is it worth to the recording industry? You can push arguments to favor each side, and ultimately you can always claim that a song never fully loses its value and it can therefore be set to an arbitrary, insanely high amount of money.

The problem with this approach is that it results in cases like the one against Jammie Thomas-Rasset, who now has (there are indications that the RIAA is still willing to settle with a much lower amount of money, but it's irrelevant; what's important is the principle of the matter) to pay 1.92 million dollars for infringing the copyright of 24 songs.[5]

There are obvious problems with such an outcome, including a two-pronged constitutional one—are such awards unconstitutionally excessive, and is there a different standard on that question when it comes to statutory damages? There is as well the policy question, beyond the scope of this article, raised by a Congress that continually extends the term of copyright protection.[6]

Of special interest to those practicing in the trenches of IP litigation is what can fairly be described as another, increasingly-significant distortion of the rights-allocations-by-litigation process, and one resulting from an explicit congressional mandate whose evolution in judicial hands nonetheless does not seem to have been entirely anticipated. These are the fee-shifting provisions of the Copyright Act, which make the costs of defending an infringement claim out of reach for virtually all individual defendants, and the risks of losing such a case "even a little" prohibitive, regardless of the merits. Section 505 of the Copyright Act provides that a court may award "the prevailing party" reasonable attorneys' fees as part of its "costs."[7] "Under the Copyright Act, the prevailing party is one who succeeds on a significant issue in the litigation that achieves some of the benefits the party sought in bringing suit."[8] Accordingly, at least in theory, prevailing defendants as well as prevailing plaintiffs are eligible for such an award, and the standards for evaluating whether an award is proper are the same regardless of which party prevails.[9]

Such rulings are few and far between, however; it may take very little for a copyright plaintiff to "prevail," meaning to show the existence of liability, even in the complete absence of the traditional *sine qua non* of a tort claim—harm or damages. Thus, for example, in *Pure Grace, Inc. v. Furlong*, the court granted "costs" to plaintiff as the prevailing party even though it was entitled to no damages and received only injunctive relief because the issuance of an injunction in that case afforded the plaintiff a substantial portion of the relief it sought.[10] Congress obviously intended to protect precisely those parties least likely to show actual damage, such as writers and artists, and who without a likely grant of attorneys' fees irrespective of financial harm could never afford to use the legal system to prevent or stop infringement of their works. And indeed, as a balance to the obvious potential for abuse in such a system, the Copyright Act, as stated before, provides for defendants to receive their "costs" if they in turn back a meritless copyright claim.

Such awards are, however, seldom granted. The bona fides of a copyright claim are easily established—again, notwithstanding that an otherwise valueless work, or one only "incidentally" protected by copyright but not in and of itself a traditional source of copyright protection (such as product labels), may be "infringed" in only the most attenuated manner and that the copyright claim in this case is merely a pretext for anticompetitive litigation.[11] Furthermore, a significant number of courts, including those bound by the rulings of the Ninth Circuit Court of Appeals—which handles a disproportionately high number of copyright cases—have held that under no circumstances can a defendant that successfully fends off a non-meritorious copyright infringement claim be awarded attorney's fees as "costs" of the "prevailing party" for purposes of the offer of judgment provisions of Fed. R. Civ. P. 68.[12]

Under such a schema, copyright owners are insulated from what are conceived to be the litigation-tempering properties of the American Rule. This applies even to starving artists and writers, once issue is joined: To the extent fee awards are collectible, copyright registrants have no incentive whatsoever to compromise on their litigation demands (especially in the Ninth Circuit) until a final order of liability and entitlement to fees is entered. (Their attorneys have even more "skewed" incentives.) The outcome is that copyright infringements, or alleged infringements, that result in little or no damage to the copyright holder and little or no obviously cognizable reduction in social welfare have the potential to become windfalls for claimants and their attorneys—with little or no concomitant disincentive to file non-meritorious, trivial, or pretextual claims. As William Patry, a leading authority on copyright, author of a major copyright treatise, and copyright counsel for Google, recently wrote:

> Copyright law has abandoned its reason for being: to encourage learning and the creation of new works. Instead, its principal functions now are to preserve existing failed business models, to suppress new business models and technologies, and to obtain, if possible, enormous windfall profits from activity that not only causes no harm, but which is beneficial to copyright owners."[13]

In light of these developments in copyright, what kind of tool, then, has trademark law become in modern business? IP lawyers and consultancies, including specialized firms offering advice and services in connection with IP and other "brand equity" valuation, management, and enforcement, ironically cannot urge the adoption of, or unilateral application of, copyright principles to trademark rights fast enough. Many thought leaders, corporate legal departments, and judicial officers are happy to cooperate, for while copyright enforcement's results have little to recommend them, and even though there is (other than in counterfeiting cases) virtually no fee-shifting in the Lanham Act, there is in the copyright jurisprudence at least the illusion of structure and predictability. This magnetic pull is under way despite the difference between the purposes

and nature of the two types of protection, the contrast in the statutory schemes governing them, and the distinctions between both the practical and doctrinal free speech concerns that affect them in different ways.

Many "IP enforcement" attorneys believe that while there is no shortage of bona fide infringement to occupy at least a large number of them, trademark law practice has, to a very large extent, descended to an anti-competitive methodology utilized by dominant market players not to prevent consumer confusion, as was its original rationale, but to reduce consumer choice and overall welfare by preventing competition. For them, the signal development enabling this "evolution" must be widespread acceptance, on extremely dubious authority, of the doctrine of "initial interest confusion" ("IIC") in trademark as a substitute for the traditional standard requiring that a finding of infringement be based on evidence of a "likelihood of confusion" between the plaintiff's trademark and the device, words, or other branding mechanism utilized by the defendant.

IIC is a species of law designed to deal with the "problem" that most cases of alleged trademark infringement on the Internet based on "consumer diversion" do not really involve any legally cognizable "likelihood of confusion"—the essence of trademark harm enshrined in the Lanham Act[14]—but still seem to some judges like something that should stop. The concept of IIC is that consumers searching for "Brand X" on Google may, by dint of keyword advertising or other techniques, find themselves on a website that "lures" them with text or other allusions to "Brand X," but really tries to sell them "Brand Y." The confusion ends instantly, but early in Internet history, at plaintiffs' urging, courts embraced what had been a quiescent theoretical replacement for actionable confusion and deemed it a basis for trademark infringement on the Internet. As Professor Eric Goldman has written:

> [A] defendant cannot mount an adequate defense against the initial interest confusion doctrine because the doctrine lacks any rigorous definition or normative support in the first place. The defense challenge is especially problematic where . . . a court improperly puts the burden on the defendant to disprove that consumers experienced initial interest confusion. Exactly what proof would satisfy the court here? I can't answer this and I bet the court couldn't either, and I can go further and assert that evidence to disprove initial interest confusion simply does not exist at all.[15]

Effectively, courts that rely on this doctrine confer the critical likelihood of confusion component of a trademark infringement claim to any party asserting trademark ownership. In turn, likelihood of confusion raises a legal presumption of irreparable harm.[16] This is then asserted to be adequate grounds for the granting of both preliminary and, typically, permanent injunctive relief—no questions asked.[17] Thus in IIC, the courts grant putative trademark owners all they need to destroy incipient competitors (not merely commercial, but ideological[18] or theological[19] as well) that may or may not actually be infringing a trademark as that concept had been understood for the generations "before IIC."

Deprived of traditional defenses that could disprove a likelihood of confusion, and facing plaintiffs who have been relieved of their burden of proving the same by submission of survey evidence or other competent proof, defendants accused of Internet-based trademark infringement seldom have much fight left in them. And while trademark defendants are seldom subjected to the additional pressure of fee-shifting, much less statutory damages, their prospects for any sort of compensation even after prevailing in a trademark infringement trial or summary judgment motion are essentially zero. Notwithstanding that the Lanham Act authorizes an award of fees to prevailing defendants in "exceptional cases,"[20] it is a commonplace among practitioners that such awards are unheard of.

While copyright has nothing like IIC, its widespread adoption still helps demonstrate copyright's influence over trademark law. IIC is hardly necessary in copyright infringement claims, where the analogous component of the cause of action is whether the work in question has been "copied"—rarely a difficult inquiry. But IIC makes trademark work almost exactly like copyright in that respect: Plaintiff has "intellectual property"; defendant utilized it "without authorization"; plaintiff is entitled to at least some relief. Thus, according to some, is intellectual property enforced and brand equity maintained.

This formula is thus ideally effectuated by the transmission of blunderbuss cease and desist demands; next is the filing, in a favorable venue, of an extensive multi-count complaint alleging copyright and trademark infringement of copyright, unfair competition, trademark dilution, and usually other torts including interference with prospective business relations. A new trend is claiming tortious interference with third-party contracts between the plaintiff and its distributors by means of the defendant's purchase, on the open market, of plaintiff's merchandise to sell online—constituting a "inducement" of a breach of a distributorship contract (known or unknown to defendant) prohibiting such sales.[21]

Few defendants can fund the motion practice for dismissal of impressive, fact-rich pleadings with reams of exhibits showing the plaintiff's portfolio of trademark registrations—the embodiment of its "brand equity." Prevailing on such a motion, in whole or in part, does not result in reimbursement of the expense incurred by defendant in doing so anyway. And even then, it is enough for the plaintiff if only two or three or six of a dozen claims "stay in the case"—it can begin the "discovery" process: the combing of tax filings for "infringers' profits" data, the interrogatories, and the depositions.

Even then, for plaintiffs, "losing" such a case, in the rare instance in which a defendant can last long enough to get to a final judgment, is routinely and publicly described as a "cost of doing business" and "reassurance" to others with investments in its brand equity—its brick-and-mortar distributors, its indirectly-price-controlled "authorized" retailers and even its old-line "competitors." More: a "loss" today is typically not dispositive regarding future torts committed tomorrow involving the same facts, or perhaps in a different judicial district. There is no limit to how this system of civil enforcement can be turned on competition because the law places no limit on it. Just as in copyright, in trademark the small matter of whether

the supposed victim of the tort in question has suffered or will suffer harm is lost—along with a great deal of justice.

The civil litigation system was not designed for the use of large companies to put small enterprises out of business, but it is perfectly suited for doing so. Copyright and trademark law, in tandem and with reference to each other, were meant to protect, respectively, creativity and reputation or consumer interests. They were crafted to apply to narrow bands of behavior affecting specifically identified bundles of rights. The enterprise of convincing a court to invoke them and restrain the behavior of others once required admissible and reasonably rigorous proof of infringement consistent with ancient Anglo-Saxon judicial norms. Today, however, trademark and copyright are methodologies of "IP enforcement," and even of censorship. Notwithstanding the existence, and even the growth, of real threats to intellectual property rights, especially in copyright, strategies for abusing IP claims to achieve entirely unrelated tactical goals are utilized routinely, formulaically, and often successfully.

The Internet has provided a post-industrial economy with once unimaginable vistas of entrepreneurial possibility. Yet the more central the Internet becomes to the economy, the more of a threat its relatively untamed nature is to companies with the most to lose to innovators. The problems described here do not require wholesale changes in the law to solve. But the interests of existent stakeholders to push in the other direction will only increase as "brand equity" and soft IP become more and more critical to the business models utilized in key sectors. The current regime of risk and benefit allocation will not protect Internet commerce's future.

Congress must level the playing field with respect to attorneys' fees in copyright; stop increasing the upper limits of statutory damages that have no effect on the most egregious infringers but do act as outsized levers of intimidation over highly vulnerable defendants whose activities may even be lawful; put teeth into the extant, but largely ignored, provisions for sanctions and attorneys' fees available to defendants that prevail in trademark claims; and reassert the classical likelihood of confusion standards for trademark infringement. Meanwhile, judges must also return to demanding rigorous proof and appropriately assigning litigation burdens in "IP" cases just as they do in other areas of law. Our Internet future may depend on it.

Endnotes

1 Walt Disney v. Video, 47, 972 F. Supp. 595, 603 (S.D. Fla. 1996) (citations omitted).

2 *Id.*

3 Joe Hand Promotions, Inc. v. Hernandez, 2004 U.S. Dist. LEXIS 12159 (S.D.N.Y. June 30, 2004) (some citations omitted; emphasis added) (citing Garden City Boxing Club, Inc. v. Ayisah, No. 02-CV-6673, 2004 U.S. Dist. LEXIS 7867, at *5 (S.D.N.Y. April 28, 2004) ("[P]laintiff must . . . substantiate a claim with evidence to prove the extent of damages.").

4 1980 U.S. Dist. LEXIS 10713 (N.D. Ill. 1980).

5 Posting of S. Schroeder to Mashable: The Social Media Guide blog, *Ever Downloaded a Copyrighted Song? You Owe Infinity Dollars*, http://mashable.com/2009/06/19/infinity-dollars/ (June 19, 2009).

6 Activist and attorney Gigi Sohn writes:

> Yesterday was the 10th anniversary of the enactment of the Sonny Bono Copyright Term Extension Act of 1998. That law extended copyright terms from 50 years after the life of an author and 70 years in the case of corporations, to 70 years beyond the life of an author and 95 years in the case of corporations. Named after Sonny Bono, the late Congressman best known for his musical and personal partnership with the performer Cher, the law has taken countless works out of the public domain, greatly weakening the wellspring of creativity and knowledge from which new creativity emerges.
>
> Unlike the DMCA, whose unintended consequences have been well documented, it is much harder to quantify the harms caused by the Sonny Bono Act. How can you measure the number of new works and new wealth that were not created because of the extended terms? Or the number of new orphan works created? But since it has been shown that about 98% of copyrighted works lose their value between year 55 and year 75 of protection, we know who has profited from the law—large, multinational media companies like Disney, Fox and NBC-Universal, who maintain a vise-like grip on works that should have belonged to the public years ago. Suffice it to say that the Sonny Bono Act was nothing more than corporate welfare for big copyright holders. Even a copyright industry sympathizer like Representative Howard Berman has admitted to me that in hindsight he believed that voting for the extension was a mistake.

Posting of Gigi Sohn to Public Knowledge Blog, *Reflections on the 10th Anniversary of the Sonny Bono Act*, http://www.publicknowledge.org/node/1830 (Oct. 29, 2008).

7 17 U.S.C. § 505.

8 Ory v. McDonald, 141 Fed. Appx. 581, 584 (9th Cir. 2005).

9 *See* Perfect 10, Inc. v. CCBill LLC, 488 F.3d 1102, 1120 (9th Cir. 2007).

10 2006 U.S. Dist. LEXIS 88080 (D. Or. 2006).

11 *See* S & L Vitamins, Inc. v. Australian Gold, Inc., 521 F. Supp. 2d 188, 214 (E.D.N.Y. 2007).

12 *See* Champion Produce, Inc. v. Ruby Robinson Co., 342 F.3d 1016 (9th Cir. 2003).

13 Posting of William Patry to Patry Copyright Blog, *End of the Blog*, http://williampatry.blogspot.com/2008/08/end-of-blog.html (August 1, 2008).

14 15 U.S.C. §1114, 1125.

15 Posting of E. Goldman to Technology & Marketing Law Blog, *Adwords Ad Creates Initial Interest Confusion--Storus v. Aroa*, http://blog.ericgoldman.org/archives/2008/03/adwords_ad_crea.htm (March 23, 2008).

16 *See* Lone Star Steakhouse & Saloon, Inc. v. Alpha of Virginia, Inc., 43 F.3d 922, 939 (4th Cir. 1995).

17 Planned Parenthood Fed. of America, Inc. v. Bucci, 1997 WL 133313, 42 U.S.P.Q.2d 1430 (S.D.N.Y. 1997), *aff'd*, 152 F.3d 920 (2d Cir. 1998).

18 *Id.*

19 Jews for Jesus v. Brodsky, 993 F. Supp. 282 (D.N.J.), *aff'd*, 159 F.3d 1351 (3d Cir. 1998).

20 15 U.S.C. § 1117(a).

21 *See* Australian Gold, Inc. v. Hatfield, 436 F.3d 1228 (10th Cir. 2006). *But see* Designer Skin, LLC v. S & L Vitamins, Inc., 560 F. Supp. 2d 811 (D. Ariz. 2008).